

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:	BUCHANAN PRODUCTION COMPANY)	
)	
RELIEF SOUGHT:	POOLING OF INTERESTS)	
	IN DRILLING UNIT NO. N-4/B)	VIRGINIA
	PURSUANT TO SECTION)	GAS AND OIL
	45.1-361.22, (CODE OF)	BOARD
	VIRGINIA, 1950 AS)	
	AMENDED) FOR THE PRODUCTION)	DOCKET NO.
	OF COALBED METHANE GAS)	VGOB 92-0915-0256
	FROM SHORT HOLES AND)	
	UNSEALED GOB)	
	(herein collectively)	
	referred to as "Coalbed)	
	Methane Gas" or "Gas"))	
)	
LEGAL DESCRIPTION:)	
)	
	DRILLING UNIT NUMBER N-4/B)	
	(Hereafter "Subject Drilling Unit"))	
	IN THE OAKWOOD COALBED GAS FIELD II)	
	VANSANT QUADRANGLE, SOUTH GRUNDY)	
	MAGISTERIAL DISTRICT, BUCHANAN COUNTY,)	
	VIRGINIA (the "Subject Lands" are more)	
	particularly described on Exhibit)	
	"A", attached hereto and made a)	
	part hereof))	

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on September 15, 1992, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: Howard G. Salisbury and Mark A. Swartz, attorneys of Kay, Casto, Chaney, Love and Wise appeared for the Applicant; pro se appearances were made by Vernon Owens, Tollie Charles and James C. Perkins, Trustees of Prater Creek Primitive Baptist Church; Curtis Owens; David Garrett, Pastor, Victory Baptist Church; Ralph Anderson and Alex Jacobs; and Sandra B. Riggs, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Sections 45.1-361.1 et seq., Virginia Code, 1950 as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of potential owners, i.e., persons identified by Applicant as having or claiming the rights to coalbed methane gas in all coal seams below the Tiller Seam (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands, and (2) has given notice to all parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.22, Virginia Code, 1950 as amended, to notice of this application, and (3) that the persons set forth in Exhibit B hereto are persons identified by applicant who may be

claimants of coalbed methane gas interests in Subject Formation, in Subject Drilling Unit underlying and comprised of Subject Lands, and are not subject to any lease and who have not voluntarily agreed to pool their interests. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19B, Virginia Code, 1950 as amended. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests (1) that pursuant to §§ 45.1-361.22, including the applicable portions of § 45.1-361.21, Code of Virginia, 1950 as amended, the Board pool all the rights, interests and estates in Subject Drilling Unit, including those of the known and unknown persons named herein and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas, produced from the Subject Drilling Unit established for the Subject Formation underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"), and (2) that the Board designate Oxy USA, Inc. as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted and: (1) Pursuant to Sections 45.1-361.21.C.3, Code of Virginia, 1950 as amended, Oxy USA, Inc. (hereafter "Unit Operator") is designated as the Unit Operator authorized to drill and operate any well in the Subject Drilling Unit, subject to the permit provisions contained in Section 45.1-361.27 et seq., Code of Virginia, 1950 as amended, to the Oakwood Coalbed Gas Field Order OGCB 3-90, dated May 18, 1990, to the Oakwood Coalbed Gas Field Order II, Board's Order No. VGOB 91-1119-162, effective as of December 17, 1991, to § 480-05-22.1 et seq., Gas and Oil Regulations and to § 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and (2) all the interests and estates in Subject Drilling Unit, including those of the known and unknown persons listed on Exhibit "B", attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, and who have not voluntarily agreed to pool their interest in Coalbed Methane Gas in the Subject Drilling Unit, be and hereby are pooled in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands.

<u>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coal seams below the Tiller seam and associated strata	Approximately 80-acre square drilling unit	No well bore to be located in Unit N-4/B See Exhibit A hereto	Oakwood Coalbed Gas Field II for Coalbed Methane Gas Well(s) for short hole gas and unsealed gob gas production	VGOB No. 91-1119-162

For the Subject Drilling Unit underlying and comprised of the Subject Land referred to as:

Unit Number N-4/B
Buchanan County, Virginia

Pursuant to the Board's Order No. VGOB 91-1119-162, effective as of December 17, 1992, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for short hole and unsealed gob production of Coalbed Methane Gas dependent upon the particular long wall mining plan applicable to each 80-acre drilling unit. The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel is located and from which unsealed gob gas or short hole gas is produced, shall calculate production and revenue and allocate allowable costs based upon the mine plan being implemented within each affected 80-acre drilling unit and in particular, based upon the surface acreage in each 80-acre drilling unit actually contained within a long wall panel as shown on the applicable mine plan. A copy of the pertinent portion of the mine plan being utilized to calculate production and revenue from and to allocate allowable costs for any effected 80-acre drilling units shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as set forth in VGOB No. 91-1119-162, a summary of which follows:

7.1. For Short Hole Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of surface acreage in any affected 80-acre drilling unit bears to the total surface acreage contained in the entire long wall panel(s) affecting such 80-acre drilling unit.

7.2. For Unsealed Gob Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of surface acreage in any affected 80-acre drilling unit bears to the total surface acreage contained in the entire long wall panel(s) affecting such 80-acre drilling unit.

8. Election and Election Period: Each person pooled hereby may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 herein to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any gas or oil owner pooled hereby may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit, as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Allocable, Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Allocable, Completed-for-Production Costs for the Subject Drilling Unit are as follows:

Allocable, Completed-for-Production Panel Costs:

Panel 1 DEV.WEST - \$ 6,427.00

A Participating Operator's proportionate cost hereunder shall be the results obtained by multiplying the Participating Operators' "Division of Interest" as set forth in the fourth column of Exhibit G, Page 4, times the panel costs set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Allocable, Completed-for-Production Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any gas or oil owner pooled hereby, may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 3/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Coalbed Methane Gas and gas condensate produced from any well development covered by this Order (for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the wellhead, including, but not limited to, all gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said gas or oil owner. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for all right, title, interest, estates, and claims of such electing gas or oil owner to the gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

The election made under this Paragraph 9.2, when so made, shall be satisfaction in full for all right, title, interests, estates and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign all its right, title, interests, estates, and claims to the gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any gas or oil owner pooled hereby, may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part

of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. All of such Carried Well Operator's rights, title, interests, estates and claims in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

The election made under this Paragraph 9.3, when so made, shall be satisfaction in full for all rights, title, interests, estates and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign all its rights, title, interest, estates and claims in the gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event a person fails to elect within the time, in the manner and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to a final legal determination or ownership, to have elected to accept as satisfaction in full for all such person's right, title, interests, estates and claims to the gas produced from Subject Formation in the Subject Drilling Unit, the consideration provided in Paragraph 9.2 above for which its interest qualifies and shall be deemed to have leased and/or assigned all his right, title, interests, estates and claims to said gas to the Unit Operator. Persons who fail to properly elect shall be deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for all right, title, interests, estates and claims of such person to the gas produced from the Subject Formation underlying Subject Lands, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

11. Default By Participating Person: In the event a person elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Allocable Completed-for-Production costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, title, interest, estates and claims to the gas produced from Subject Formation in the Subject Drilling Unit, the cash bonus consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any such cash bonus

consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for all right, title, interests, estates and claims of such person to the gas produced in the Subject Formation underlying the Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the well in Subject Formations in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto Unit Operator all of such person's right, title, interests, estates and claims in and to said well, in Subject Formation in Subject Drilling Unit, and other share in production to which such person may be entitled by reason of any election or deemed election hereunder.

13. Unit Operator (or Operator): OXY USA, Inc. be and hereby is designated as Unit Operator authorized to drill and operate any well in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Section 45.1-361.27 et seq., Code of Virginia, 1950 as amended, §§ 480-05-22.1 et seq., Gas and Oil Regulations and §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

OXY USA INC.
P. O. Drawer Q
Richlands, VA 24641
Phone: (703) 964-9803
Fax: (703) 964-0381
Attn: Martin E. Wirth, Land Manager

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of any well covered hereby within three hundred and sixty-five (365) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which any well covered by this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the petition for appeal and the final Order of the Circuit Court shall be excluded in calculating the one year period referred to herein.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the mineral estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are chargeable against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account,

(herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank
P. O. Box 909
Tazewell, VA 24651
(herein "Escrow Agent")

- 16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and pursuant to Section 45.1-361.21.D, Code of Virginia, 1950 as amended, said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with § 45.1-361.21.D., Code of Virginia, 1950 as amended.
- 16.2. Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment of other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Virginia Code Sections 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account, within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.
17. Special Findings: The Board specifically and specially finds:
- 17.1. Applicant is a Virginia general partnership comprised of Appalachian Operators, Inc., and Appalachian Methane, Inc., and is duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2. Based on the evidence presented by Applicant, OXY USA, Inc. assigned all of its interests in Buchanan County, Virginia in coalbed methane leases and other interests to Applicant, which assignment of interests was recorded in the public records of Buchanan County, Virginia on or about March 20, 1992. Thereafter, Applicant claims ownership of gas leases, coalbed methane gas leases, and/or coal

leases representing 1.5185 percent of the oil and gas interest and 42.19 percent of the coal interest in Subject Drilling Unit, and applicant claims the right to explore for, develop and produce coalbed methane gas from coal seams below the Tiller seam in Unit Number N-4/B in Buchanan County, Virginia, which Subject Lands are more particularly described in Exhibit "A".

- 17.3 Applicant has delegated to OXY USA Inc., authority to explore, develop and maintain the properties and assets of Applicant now owned or hereafter acquired, which delegation is evidenced by resolution of the management committee of Applicant introduced as Exhibit J, and Applicant seeks the appointment of OXY USA Inc. as the coalbed methane gas well Unit Operator of Subject Drilling Unit. Further, OXY USA Inc. has accepted Applicant's delegation and has agreed to explore, develop and maintain the properties and assets of Applicant, and has consented to serve as coalbed methane gas well Unit Operator for Subject Drilling Unit and to faithfully discharge the duties imposed upon it as Unit Operator by statute and regulation, all as evidenced by the consent introduced as Exhibit J.
- 17.4 OXY USA Inc. is a Delaware corporation duly authorized to transact business in the Commonwealth of Virginia and is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.5 Applicant has not proposed the drilling of any wells on the Subject Drilling Unit to develop the pool in Subject Formations. Applicant's Exhibit G, page 1, depicts Island Creek Coal Company's VP-3 mine works plan underlying Subject Drilling Unit.
- 17.6 The estimated total production from Subject Drilling Unit is 125 to 550 MMCF. The estimated amount of reserves from the Subject Drilling Unit is 125 to 550 MMCF.
- 17.7 Respondents are listed on Exhibit "B". Set forth in Exhibit "B" is the name and last known address of each person (who has not, in writing, leased to or voluntarily pooled their interests in Subject Drilling Unit for its development) identified by the Applicant as having or claiming a potential interest in the Coalbed Methane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, representing 98.4815 percent of the oil and gas interests and 57.81 percent of the coal interests in Subject Drilling Unit.
- 17.8 The Board has heretofore been presented with Exhibit K, a contract approval abstract, which purports to summarize the basic agreements reached by Island Creek Coal Company, OXY USA Inc. and Buchanan Production Company concerning the consideration to be paid by applicant for the use of the well bores to be used to produce gas from Subject Drilling Unit, which cost is incorporated in and made a part of the Allocable Completed-for-Production Costs, set forth in Paragraph 9.1 above or on Exhibit G hereto. The Board's granting of the relief requested in this cause was subject to the Applicant, at the earlier of completion of contract negotiations pertaining to the use of said well bores or October 21, 1992, either (1) reporting to the Board the status of the contract negotiations for the use of said well bores if said negotiations are not complete; or (2) if said negotiations are complete and a contract executed to evidence same then, presenting to the Board an abstract of any contract termination provision, the term of the contract and an abstract of any provision of the contract that differs in any respect from that set forth in the abstract presented to the Board as Exhibit K.

Applicant, by letter dated October 8, 1992, to the Inspector, submitted copies of an Agreement entered into by and among Island Creek Coal Company, Buchanan Production Company and OXY USA, Inc., and dated October 7, 1992, which Agreement will be considered by the Board at its November, 1992 meeting.

- 17.9 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in Paragraph 9 above;
- 17.10 The Board has not heretofore entered an Order pooling interests for Subject Drilling Unit pursuant to its Oakwood Coalbed Gas Field I Order, OGCB No. 3-90; and
- 17.11 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person in the Subject Drilling Unit the opportunity to recover or receive, without unnecessary expense, each person's just and fair share of the production from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of coalbed methane gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.

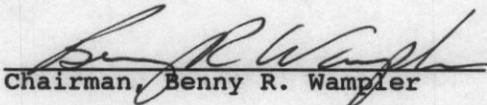
18. Mailing of Order and Filing of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

21. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 14th day of December, 1992, by a majority of the Virginia Gas and Oil Board.

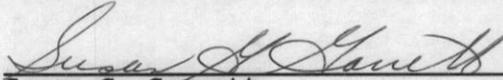

Chairman, Benny R. Wampler

DONE AND PERFORMED this 14th day of December, 1992, by Order of this Board.


Byron Thomas Fulmer
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 14th day of December, 1992,
personally before me a notary public in and for the Commonwealth of Virginia,
appeared Benny Wampler, being duly sworn did depose and say that he is Chairman
of the Virginia Gas and Oil Board, that he executed the same and was authorized
to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/94

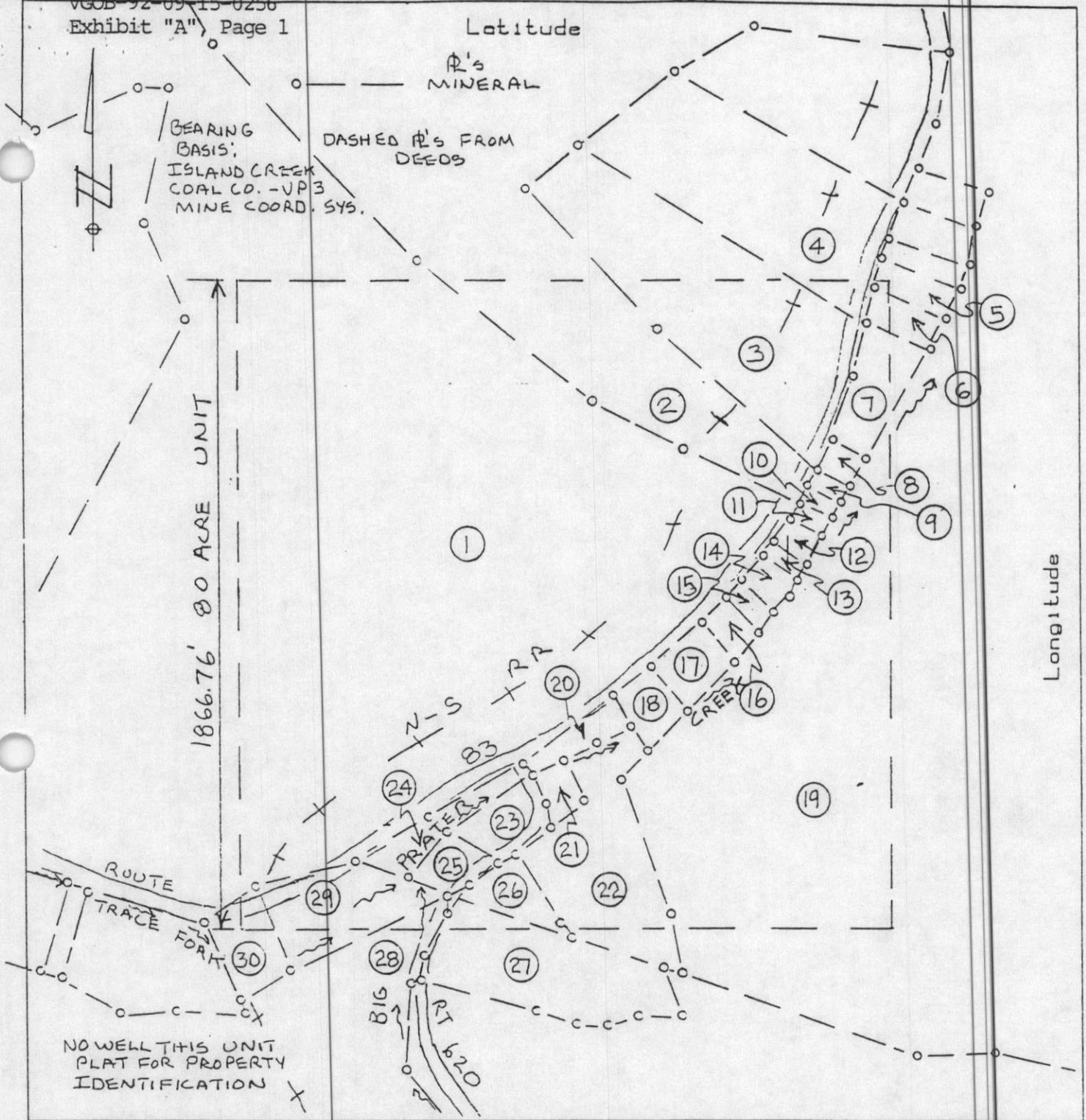
STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 14th day of December, 1992,
personally before me a notary public in and for the Commonwealth of Virginia,
appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is
Principal Executive to the Staff of the Virginia Gas and Oil Board, that he
executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/94

VGOB 92-09-15-0256
Exhibit "A" Page 1

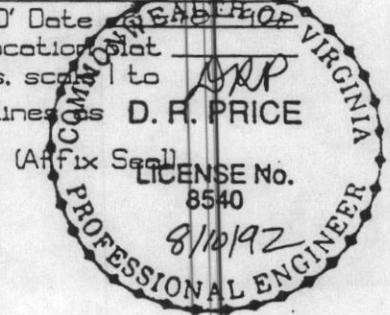


WELL LOCATION PLAT

Company OXY USA Inc. Well Name and Number UNIT NA/B
 Tract No. N/A Elevation N/A Quadrangle VANSANT
 County BUCHANAN District SOUTH GRUNDY Scale: 1" = 400' Date 8/10/92
 This Plat is a new plat ; an updated plat _____; or a final location plat _____
 Denotes the location of a well on United States topographic Maps, scaled to _____
 + 24,000. Latitude and longitude lines being represented by border lines as shown.

D. Price

Licensed Professional Engineer or Licensed Land Surveyor



PARTIES RESPONDENT
EXHIBIT "B"
AMENDED

Unit N-41B

RESPONDENT(S) WHO HAVE NOT LEASED OR OTHERWISE CONTRACTED WITH APPLICANT

<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
<u>Tract 2</u>			
1. Garney Glenn Smith P. O. Box 35 Vansant, VA 24656	Coal, Oil & Gas	5.43	6.79%
<u>Tract 3</u>			
1. Arlin D. Matney Box 77 Vansant, VA 24656	Oil & Gas	4.42	5.52%
<u>Tract 4</u>			
1. Ada Mae Looney, Widow P. O. Box 3809 Martinsville, VA 24115	Oil & Gas	0.225	0.28125%
2. Peggy Ann L. Thompson P. O. Box 3809 Martinsville, VA 24115	Oil & Gas	0.225	0.28125%
<u>Tract 5</u>			
3. Clarence Boyd, Jr. P. O. Box 738 Vansant, VA 24656	Oil & Gas	0.04	0.04%
<u>Tract 6</u>			
1. Theodore Raines Box 171 Vansant, VA 24656	Oil & Gas	0.14	0.18%
<u>Tract 7</u>			
1. Earl Dellinger Drawer A Grundy, VA 24614	Oil & Gas	0.91	1.14%
<u>Tract 8</u>			
1. Raymond Clyde Viers Box 85 Breaks, VA 24607	Oil & Gas	0.27	0.34%

AMENDED

	<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
	<u>Tract 9</u>			
1.	Raymond Clyde Viers Box 85 Breaks, VA 24607	Oil & Gas	0.14	0.18%
	<u>Tract 10</u>			
1.	Birl Edward Hannah, Jr. Box 404 Vansant, VA 24656	Oil & Gas	0.14	0.18%
	<u>Tract 11</u>			
1.	William Lipps Rt. 1, Box 475 Vansant, VA 24656	Oil & Gas	0.14	0.18%
	<u>Tract 12</u>			
1.	Harry Dellinger Box 5055 Royal City, VA 24614	Coal, Oil & Gas	0.23	0.29%
	<u>Tract 13</u>			
1.	Bernard Fletcher Box 666 Vansant, VA 24656	Coal, Oil & Gas	0.16	0.20%
	<u>Tract 14</u>			
1.	Lodge Compton Box 241 Grundy, VA 24614	Oil & Gas	0.29	0.36%
	<u>Tract 15</u>			
1.	Omer Dellinger Box 251 Vansant, VA 24656	Oil & Gas	0.18	0.22%
	<u>Tract 16</u>			
1.	Marcus W. Arnold, Jr. Rt. 3, Box 528-AA Banner Elk, NC 28604	Oil & Gas	0.37	0.47%
	<u>Tract 17</u>			
1.	Tivis Lee O'Quinn P. O. Box 310 Vansant, VA 24656	Oil & Gas	0.75	0.94%

	<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
	<u>Tract 18</u>			
1.	Tivis Lee O'Quinn P. O. Box 310 Vansant, VA 24656	Oil & Gas	0.61	0.76%
	<u>Tract 19</u>			
1.	Phylis Jean Whitt Rt. 2, Box 38 Vansant, VA 24656	Oil & Gas	0.33578	0.41972%
2.	Robert H. Anderson Rt. 2, Box 535 Vansant, VA 24656	Oil & Gas	0.33578	0.41972%
3.	Ruby J. Ratliff P. O. Box 323 Max Meadows, VA 24360	Oil & Gas	0.33578	0.41972%
4.	Ernest E. Anderson P. O. Box 389 Max Meadows, VA 24360	Oil & Gas	0.33578	0.41972%
5.	Ralph E. Anderson 178 McCray Abingdon, VA 24210	Oil & Gas	0.33578	0.41972%
6.	Helen M. Shepherd Rt. 1, Box 424 White Plains, MD 20695	Oil & Gas	0.33578	0.41972%
7.	Bunie B. Wortz 19 Lynn Brook Rd. Trom Bull, CT 06612	Oil & Gas	0.33578	0.41972%
8.	Albert M. Anderson Rt. 1, Box 298 White Plains, MD 20659	Oil & Gas	0.33578	0.41972%
9.	David L. Anderson 817 Majestic Oak Court Mansfield, TX 76063	Oil & Gas	0.33578	0.41972%
10.	Acie G. Anderson, heirs, devisee, successor or assigns	Oil & Gas	3.022	3.7775%
11.	Lydia Anderson Lewis 3091 Hill Rd. Alburn Hills, MI 48326	Oil & Gas	3.022	3.7775%
12.	George B. Anderson Address Unknown	Oil & Gas	3.022	3.7775%
13.	James Marshall Anderson Address Unknown	Oil & Gas	1.511	1.88875%

	<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
14.	Barbara Anderson Marshall Address Unknown	Oil & Gas	1.511	1.88875%
15.	Venta Anderson Edwards Address Unknown	Oil & Gas	1.0073 (Life Estate)	1.2591% (Life Estate)
<u>Tract 20</u>				
1.	Tivis Lee O'Quinn P. O. Box 310 Vansant, VA 24656	Oil & Gas	0.48	0.60%
<u>Tract 21</u>				
1.	Gomer W. Evans, et ux P. O. Box 348 Vansant, VA 24656	Oil & Gas	0.39	0.49%
<u>Tract 22</u>				
1.	Gomer W. Evans, et ux P. O. Box 348 Vansant, VA 24656	Oil & Gas	3.22	4.02%
<u>Tract 23</u>				
1.	Curtis H. Owens and Marella Owens Rt. 1, Box 7 Vansant, VA 24656	Oil & Gas	0.445	0.55625%
2.	Anthony C. Owens and Nancy S. Owens Rt. 1, Box 7 Vansant, VA 24656	Oil & Gas	0.445	0.55625%
<u>Tract 24</u>				
1.	Victory Baptist Church Leon Stacy Trustee, Bobbie Looney Trustee and Joseph Street, Trustee P. O. Box 641 Vansant, VA 24656	Oil & Gas	0.88	1.09%
<u>Tract 25</u>				
1.	Clyde Yates and Nellie Mae Yates Rt. 1, Box 5 Vansant, Va 24656	Oil & Gas	0.54	0.67%
<u>Tract 26</u>				
1.	Carrie Owens Rt. 1, Box 7 Vansant, VA 24656	Oil & Gas	0.86	1.07%
<u>Tract 27</u>				
1.	Carrie Owens Rt. 1, Box 7 Vansant, VA 24656	Oil & Gas	0.32	0.40%

VGOB-92-09-15-0256
Exhibit "B", Page 5
AMENDED

	<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
	<u>Tract 30</u>			
1.	Prater Creek Primitive Baptist Church c/o Vernon Owens, et al, Trustees Rt. 1, Box 7 Vansant, VA 24656	Oil & Gas	0.29	0.36%

EXHIBIT "B1"

Other persons entitled to notice under Va. Code Ann. § 45.1-361.19

<u>Name</u>	<u>Status of Ownership</u>
1. None.	

Applicant, has under lease or contract the Coalbed Methane Gas underlying the tract(s) within this unit from all other interest owners.

M
N
O
P
Q
R

1

2

3

4

5

5 Dev. West

4 Dev. West

3 Dev. West

2 Dev. West

1 Dev. West

H1003-2

H1003-4

H1003-8

H1003-5

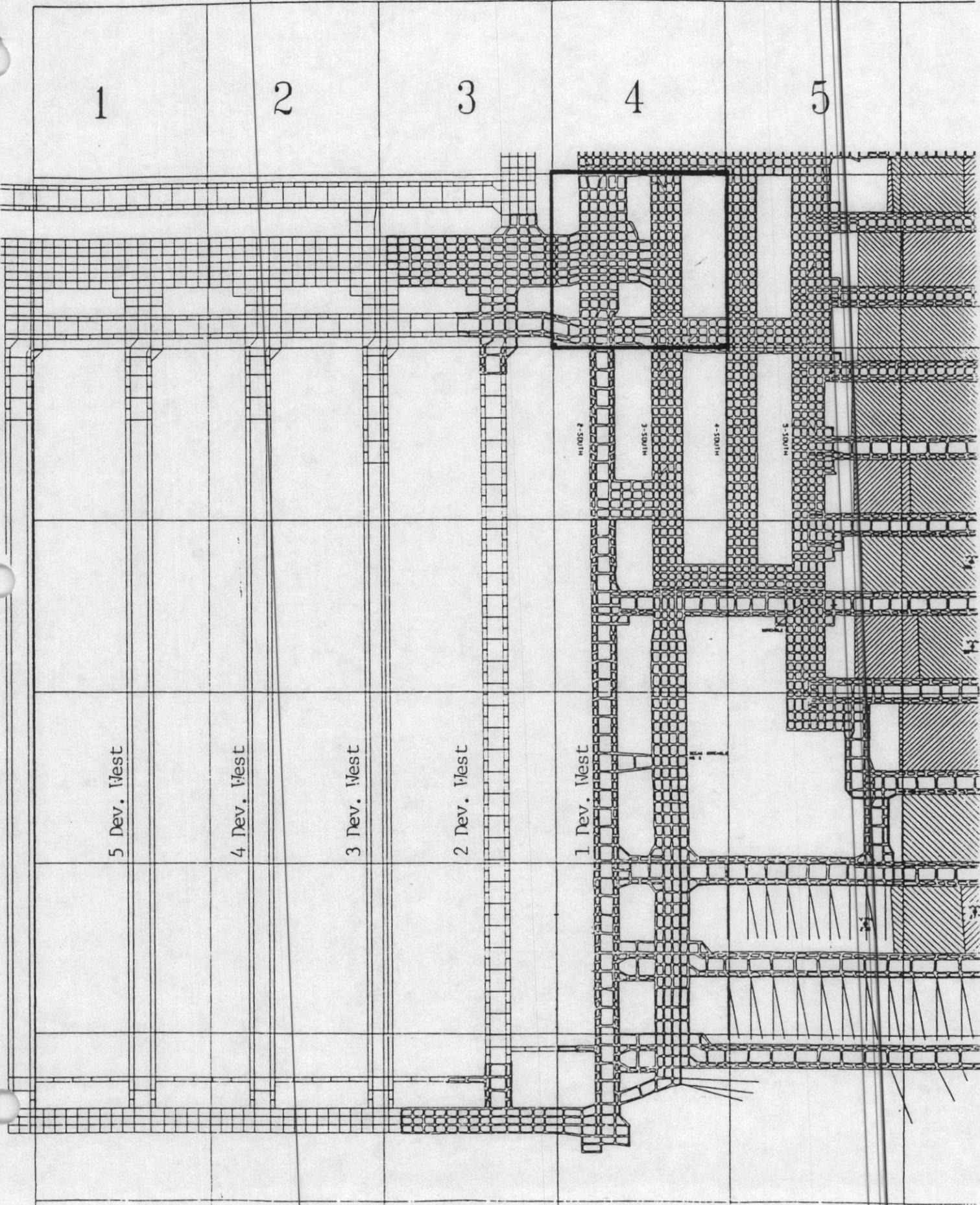


EXHIBIT "G",
VGOB-92-09-15-0256
FORMULA FOR DIVISION OF INTEREST
PAGE 4
AMENDED

UNIT: N-41B

NAME	NET% INTEREST IN UNIT *	UNIT% INTEREST IN PANEL **	DIVISION OF INTEREST
Panel: 1 Dev. West			
Garney Glenn Smith	6.79%	0.636%	0.043%
Arlin D. Matney	5.52%	0.636%	0.035%
Ada Mae Looney	0.281%	0.636%	0.002%
Peggy Ann L. Thompson	0.281%	0.636%	0.002%
Clarence Boyd, Jr.	0.04%	0.636%	0.0003%
Theodore Raines	0.18%	0.636%	0.0003%
Earl Dellinger	1.14%	0.636%	0.001%
Raymond Clyde Viers	0.52%	0.636%	0.007%
Birl Edward Hannah, Jr.	0.18%	0.636%	0.003%
William Lipps	0.18%	0.636%	0.001%
Harry Dellinger	0.29%	0.636%	0.001%
Bernard Fletcher	0.20%	0.636%	0.002%
Lodge Compton	0.36%	0.636%	0.001%
Omer Dellinger	0.22%	0.636%	0.002%
Marcus W. Arnold, Jr.	0.47%	0.636%	0.001%
Tivis Lee O'Quinn	2.82%	0.636%	0.003%
Phyliss Jean Witt	0.42%	0.636%	0.018%
Robert H. Anderson	0.42%	0.636%	0.003%
Ruby J. Ratliff	0.42%	0.636%	0.003%
Ernest E. Anderson	0.42%	0.636%	0.003%
Ralph E. Anderson	0.42%	0.636%	0.003%
Helen M. Shepard	0.42%	0.636%	0.003%
Bunie B. Wortz	0.42%	0.636%	0.003%
Albert M. Anderson	0.42%	0.636%	0.003%
David L. Anderson	0.42%	0.636%	0.003%
Acie G. Anderson	3.78%	0.636%	0.024%
Lydia Anderson Lewis	3.78%	0.636%	0.024%
George B. Anderson	3.78%	0.636%	0.024%
James Marshall Anderson	1.889%	0.636%	0.012%
Barbara Anderson Marshall	1.889%	0.636%	0.012%
Venta Anderson Edwards	1.259%	0.636%	0.008%
Gomer W. Evans, et ux	4.51%	0.636%	0.029%
Curtis H. Owens, et ux	0.556%	0.636%	0.004%
Anthony C. Owens, et ux	0.556%	0.636%	0.004%
Victory Baptist Church	1.09%	0.636%	0.007%
Clyde Yates, et ux	0.67%	0.636%	0.004%
Carrie Owens	1.47%	0.636%	0.009%
Prater Creek	0.36%	0.636%	0.002%
Primitive Baptist Church			
* FROM EXHIBIT "B"			
** FROM EXHIBIT "G"			

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 2nd day of December 1992. 2:51 P. M.
Deed Book No. 402 and Page No. 445.

Department of Mines, Minerals and Energy

DIVISION OF GAS & OIL
POST OFFICE BOX 1416
230 CHARWOOD DRIVE
ABINGDON, VIRGINIA 24210

3939

CLERK'S OFFICE CIRCUIT COURT
BUCHANAN COUNTY, VIRGINIA

Filed and admitted to record,

this 22nd day of Dec, 1992
at 2:51 o'clock P M.

Recorded Deed Book	Page
039 State Tax	
213 County Tax	
212 Transfer	
301 Recording	<u>28.00</u>
038 State Tax	
220 Local Tax	
145 VSLF	

Total 1.00
29.00

Teste James M. Bevins, Jr., Clerk

By [Signature] DC